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AMENDMENT TO LEASE AGREEMENT

This AMENDMENT TO LEASE AGREEMENT (the "Amendment") is dated as of October 4, 2006 and it amends the terms of the Lease Agreement ("Lease") dated January 7, 1987 and Addendum ("Addendum") dated March 14, 1997 between Lakeside Industries ("Landlord") and Shaver Transportation Company ("Tenant"). Capitalized terms not defined in this Amendment shall have the meaning given to them in the Lease.

Landlord and Tenant agree to modify the terms of the Lease as follows:

1. Par. 2.1 Basic Rent. For the years beginning January 1, 2007, and ending December 31, 2015 Tenant shall pay to Landlord as rent the sum of Twenty Thousand Dollars (\$20,000.00) per year, payable on or before the anniversary date of the beginning of the term of this Amendment. This Base Rent will include the costs of Property Tax (Par. 4.1) and User Charges (Par. 4.3). Any change in the Property Tax or User Charges from the January 1, 2007 levels will be added to or deducted from the Base Rent on an annual basis.
2. Par. 4.1 Property Taxes. This cost is included in the Base Rent as revised in 2.1.
3. Par. 4.3 User Charges. This cost is included in the Base Rent as revised in 2.1.

Agreed to this 16th day of ~~October~~^{November}, 2006.

Lakeside Industries

Shaver Transportation Company

By: [Signature]
Printed Name: Michael Lee
Title: President

By: [Signature]
Printed Name: Robert D. Risch
Title: DIRECTOR - APPOINTMENT



LAKE SIDE INDUSTRIES

P.O. BOX 1379

BELLEVUE, WA 98009

(206) 883-1661

FAX (206) 869-2249

November 9, 1990

Earl Bauer
Shaver Transportation Co.
4900 N.W. Front Avenue
Portland, OR 97210-0324

RE: Submerged Land Lease

Dear Mr. Bauer:

As you know, the state of Oregon is in the process of enforcing the state laws regarding the need for a Submerged Land Lease for what they consider private use of public wet lands. The area that you are utilizing for barge moorage in the Willamette River in front of our operation at 4850 N.W. Front Street in Portland required such a lease from the State.

The state has an offer to lease 1.15 acres, more or less, of the subject submerged land for \$7,791.00 per year. As the Riparian Upland owner, we have a preference right to accept this lease offer.


Per telephone conversations with you, you have voiced an interest in Lakeside exercising our preference right and signing a lease with the State and sub-leasing the land to Shaver Transportation. Lakeside and Shaver have an existing Lease Agreement dated January 7, 1987, allowing for your use of a 10 foot wide strip of land along the shore adjacent to this barge moorage. The term of that lease is one dollar per year until December 31, 1996, with an increased rental until December 31, 2001.

It is acceptable to Lakeside for us to sign a lease with the State and as an Addendum to our existing lease with you, Shaver will repay to Lakeside the lease amount paid to the State (\$7,791.00 per year, along with any future increases) for the duration of the lease, resulting in no net cost to Lakeside.

Page 2
Shaver Transportation Co.
Earl Bauer
November 9, 1990

Earl, if this is acceptable to you, please sign the bottom of the enclosed copy of this letter and return it to us, along with a check for \$7,791.00 to reimburse us for the first year's payment to the State (see copy of letter and check to State Division of Lands).

Sincerely,
LAKESIDE INDUSTRIES


Henry R. Waggoner
Controller

HR:md

Accepted for Shaver Transportation Company

By:  Earl Bauer, EVP

Date: Nov 14, 1990

Addendum to Lease Agreement

This Addendum is made to the LEASE AGREEMENT dated January 7, 1987 between Lakeside Industries, a joint venture, (Landlord) and Shaver Transportation Company, an Oregon corporation (Tenant).

The following amendments are made to said lease:

1. Par. 2.1 Basic Rent. For the years beginning January 1, 1997, and ending December 31, 2006 Tenant shall pay to Landlord as rent the sum of *Twelve Thousand Dollars* per year, payable on or before the anniversary date of the beginning of the term of this Lease. *This Base Rent will include the costs of Property Tax (Par. 4.1) and User Charges (Par 4.3). Any change in the Property Tax or User Charges from the January 1, 1997 levels will be added to or deducted from the Base Rent on an annual basis.*
2. Par. 4.1 Property Taxes. *This cost is included in the Base Rent as revised in 2.1.*
3. Par 4.3 User Charges. *This cost is included in Basic Rent as revised in 2.1.*
4. Par 9 Termination. ~~After January 1, 1997 Landlord may cancel the Lease upon giving six months prior written notice of termination to Seller.~~
5. Par 13. Submerged and Submersible Land Lease *The Landlord has signed SUBMERGED AND SUBMERSIBLE LAND LEASE # ML-4868 with the State of Oregon, Division of Lands dated Jan. 8, 1997, (see exhibit B), by reference made apart here to. Tenant agrees to be bound by all terms and conditions of said land lease as it relates to them.*

Agreed to this 14th day of March, 1997.

Lakeside Industries

By: 

Timothy Lee

Title: President

Shaver Transportation Company

By: 

Harry Shaver

Title: Chairman

LEASE AGREEMENT

This Lease Agreement is between Lakeside Industries, a joint venture, (Landlord) and Shaver Transportation Company, an Oregon corporation, (Tenant). Landlord leases to Tenant the following described property:

A 10 foot wide strip of land along the ordinary high water line of the Willamette River beginning at the eastern boundary of Tenant's property and extending easterly approximately 350 feet along the high water line, together with all riparian rights to use the adjacent waterway. (See Exhibit A).

1. Term of Lease.

The term of this lease shall commence on January 7, 1987 and, unless earlier terminated, shall continue through December 31, 2001. Tenant shall be entitled to possession on the opening day of the term.

2. Rent.

2.1 Basic Rent. For the years beginning January 7, 1987 and ending December 31, 1996, Tenant shall pay to Landlord as rent the sum of One Dollar per year payable on or before the anniversary date of the beginning of the term of this Lease. For the years beginning January 1, 1997, and ending December 31, 2001 Tenant shall pay to Landlord as rent the sum of Fifteen Thousand Dollars per year, payable on or before the anniversary date of the beginning of the term of this Lease.

2.2 Additional Rent. All taxes, insurance costs, utility charges and other sums which Tenant is required to pay to Landlord or third parties under this Lease shall be additional rent.

3. Use of Premises.

3.1 Permitted Use. Tenant shall use the premises in connection with its marine navigation business and for no other purpose without the consent of Landlord, which consent shall not be unreasonably withheld.

3.2 Restrictions on Use. In connection with use of the premises Tenant shall conform to all applicable laws and regulations of any public authority affecting the premises and the use thereof and shall refrain from any use which would be reasonably offensive to Landlord, other tenants or owners or users of neighboring premises.

4. Taxes.

4.1 Property Taxes. Tenant shall pay as due all taxes on its personal property located on the leased premises and shall pay as due all general real property taxes and special assessments levied against the leased premises.

4.2 Proration of Taxes. Tenant's share of real property taxes and assessments for the years in which this Lease commences or terminates shall be prorated based upon the portion of the tax year that this lease is in effect. Landlord and Tenant shall endeavor to have Multnomah County assess the leased premises as a separate tax lot. In the event the County fails or refuses to do so so that the leased premises continue to be assessed as part of Landlord's real property, Landlord and Tenant shall in good faith prorate that portion of the property taxes attributable to the leased premises. If Landlord and Tenant are unable to reach an agreement on the proration, then the issue shall be submitted to an independent qualified real property appraiser acceptable to both Landlord and Tenant whose decision shall be final.

4.3 User Charges. Tenant shall pay when due any lease or user charges imposed by the State of Oregon or any other governmental authority based upon Tenant's use of the navigable waterway.

5. Insurance.

Tenants shall bear the expense of any insurance insuring the property of Tenant on the leased premises against fire and other risks covered by a standard fire insurance policy with an endorsement for extended coverage. Tenant shall also maintain adequate liability insurance against loss or injury resulting from Tenant's use of the premises.

6. Maintenance.

Tenant shall maintain the property in good condition; provided, however, that Tenant shall have no obligation to restore or repair the property for damage caused by flooding or other acts of God or other causes beyond the control of Tenant. In the event such damage occurs, Tenant may terminate the Lease by giving written notice of termination to Landlord.

7. Eminent Domain.

In the event any portion of the premises is condemned, Tenant shall be entitled to terminate the Lease by giving written notice of termination to Landlord. In no event

shall Tenant be entitled to any proceeds awarded to Landlord as a result of condemnation.

8. Liability and Indemnity.

8.1 Liens. Tenant shall pay as due all claims for work done on and for services rendered or material furnished to the leased premises for the use and benefit of Tenant and shall keep the premises free from any liens. Tenant may withhold payment of any claim in connection with a good faith dispute over the obligation to pay, so long as Landlord's property interests are not jeopardized.

8.2 Indemnification. Tenant shall indemnify and defend Landlord from any claim, loss or liability arising out of or related to any activity of Tenant on the leased premises or any condition of the leased premises in the possession or under the control of Tenant.

9. Termination.

Tenant may terminate this Lease at any time during the term hereof by giving six months prior written notice of termination to Landlord. After January 1, 1997, Landlord may cancel the Lease upon giving six-months prior written notice of termination to Seller.

10. Assignment and Sublease.

No part of the leased property may be assigned or subleased by Tenant, nor may the right for the use of any portion of the property be conferred on any third person by Tenant without the prior written consent of Landlord, which consent shall not be unreasonably withheld.

11. Default.

Failure of Tenant to pay any rent or other charge within ten days after written notice that it is due, or the failure of Tenant to comply with any other term or condition or to fulfill any obligation of this lease within twenty days after written notice by Landlord specifying the nature of default shall be an event of default. Upon default, Landlord may terminate this Lease, in which event Tenant shall surrender the premises, or Landlord may sue for damages. These remedies are cumulative and in addition to any other remedies Landlord may have under Oregon law.

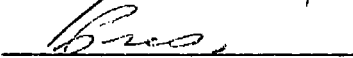
12. Attorney's Fees.

If suit or action is instituted in connection with any controversy arising out of this Lease, the prevailing party shall be entitled to recover in addition to costs such sum as a trial court may adjudge reasonable as attorney's fees,

and in addition such sum as an appellate court may adjudge reasonable as attorney's fees for services rendered on appeal.

LAKE SIDE INDUSTRIES

By: 

Title: 

SHAVER TRANSPORTATION COMPANY

By: 

George H. Shaver
President

EXHIBIT A

LEASED
AREA

WATER LINE
PROX 350'
TOP OF DIRT

R I V E R

10± DRY ACRES

STORAGE

WAREHOUSE

MFG. BLDG.

DIESEL TANK & DUMP

STOR.

SCD TANK & DUMP

A/C PAVING

R.R. SPUR
A/C PAVING

DRIVE BLDG.

PAVED PARKING

LI. LINK FENCE

GRAVEL PARKING

ST. (OUTSIDE OF RAIL)

PROPOSED PROP. LINE
(BUILD NEW GAIN LINK
FENCE)

PROPOSED R.R. SPUR

AVENUE

N. V. FRONT

PLAN VIEW

SCALE - 1" = 50.0'

NEW SWITCH

STATE OF OREGON
DEPARTMENT OF STATE LANDS

Amendment to Waterway Lease ML-4868

Effective January 1, 2006, the following terms and conditions are modified in that certain lease between the STATE OF OREGON, acting by and through the Department of State Lands (STATE) and Lakeside Industries, (LESSEE), which is dated and signed on March 7, 1997. All terms of the lease not specifically changed by this modification remain unchanged and in full force.

5. LEASE PAYMENT

The lease payment to be paid by LESSEE to STATE shall be \$5,471.00 per year or the amount set by redetermination at any time after the first anniversary date of the Lease. Receipt of the first year's lease payment is hereby acknowledged.

"Redetermination" means a rent increase made pursuant to paragraph 6 of this Lease. Lease payments shall be payable annually and shall be due on the 1st day of January in advance. Payments shall be sent to the Division of State Lands, 775 Summer Street NE, Salem, Oregon 97310-1337. STATE shall give LESSEE 30 days advance notice of the due date and amount of the lease payment due.

Such condition is hereby deleted and in its place is substituted the following condition:

5. LEASE PAYMENT

The lease payment to be paid by LESSEE to STATE shall be \$5,471.00 per year or the amount set by redetermination at any time after the first anniversary date of the Lease. Receipt of the first year's lease payment is hereby acknowledged.

"Redetermination" means a rent increase made pursuant to paragraph 6 of this Lease. Lease payments shall be payable annually and shall be due on the 1st day of January in advance. STATE shall give LESSEE 30 days advance notice of the due date and amount of the lease payment due. Payment should be sent to the:

DEPARTMENT OF STATE LANDS
UNIT 18
PO BOX 4395
PORTLAND OR 97208-4395.

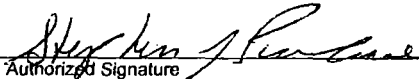
IN WITNESS WHEREOF the parties have executed this lease AMENDMENT.

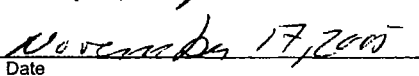
STATE:

The State of Oregon, acting by and through
the Oregon State Land Board and the
Department of State Lands
775 Summer ST NE, STE 100
Salem, OR 97301-1279

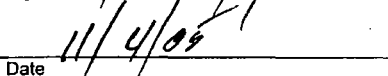
LESSEE:

Lakeside Industries
PO Box 7016
Issaquah, WA 98027
425-313-2600


Authorized Signature


Date


Signature/Title


Date

STATE OF WASH)
)ss
County of King)

The foregoing instrument was acknowledged before me this 4th day of
November, 2005, by HR WAGNER (name of officer or agent of
corporation), the Secy - TREASURER (title of officer or agent) of

(name of business entity), a

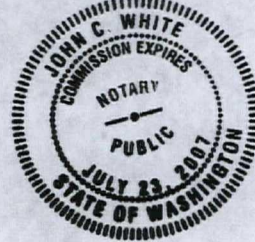
(state or place of incorporation) WASH -

(corporation, general partnership, limited liability company, etc.) on
behalf of said LAKEVIEW INDUSTRIES (corporation, general
partnership, limited liability company, etc.).

John C White
Signature

My commission expires 07-23-2007

J:\Attachment\west\ML Waterway Leases\Amendment Payment Address\ML-4868.doc



**STATE OF OREGON
DIVISION OF STATE LANDS
SUBMERGED AND SUBMERSIBLE LAND LEASE**

ML-4868

1. PARTIES

The parties to this Lease are the STATE OF OREGON, acting by and through the Division of State Lands, ("STATE") and Lakeside Industries, ("LESSEE").

2. LEASED PREMISES

STATE, for the consideration and upon the terms and conditions herein mentioned, does hereby lease to the LESSEE the following property:

All state-owned submerged and submersible lands in the Willamette River in Section 19, Township 1 North, Range 1 East, Willamette Meridian, Multnomah County, Oregon, more particularly described as follows:

Commencing at a point on the intersection of the West line of Tax Lot 112 (Multnomah County Assessor's Map Number 1-1-19) and the line of Ordinary High Water on the left bank of the Willamette River;

thence riverward along a line perpendicular to the thread of the stream to the line of Ordinary Low Water;

thence upstream along the line of Ordinary Low Water 200 feet, more or less, to the TRUE POINT OF BEGINNING;

thence riverward along a line perpendicular to the thread of the stream 250 feet;

thence upstream and 250 feet parallel to said line of Ordinary Low Water 200 feet;

thence shoreward along a line perpendicular to the thread of the stream 250 feet to the line of Ordinary Low Water;

thence downstream along said line of Ordinary Low Water 200 feet, more or less, to the TRUE POINT OF BEGINNING, containing 1.15 acres, more or less.

hereinafter referred to as the "Leased Premises."

3. PURPOSE

LESSEE shall have exclusive possession of the Leased Premises for the sole purpose of barge moorage and for no other purpose without prior written consent of STATE. This instrument does not guarantee that any particular use may be made of the Leased Premises. LESSEE should check with appropriate city or county planning department to verify approved uses.

4. TERM OF LEASE

The LESSEE, subject to compliance with the terms and provisions of this Lease, shall have and hold the Leased Premises for the purposes stated above from January 1, 1997, through December 31, 2017.

5. LEASE PAYMENT

The lease payment to be paid by LESSEE to STATE shall be \$5,471.00 per year or the amount set by redetermination at any time after the first anniversary date of the Lease. Receipt of the first year's lease payment is hereby acknowledged.

"Redetermination" means a rent increase made pursuant to paragraph 6 of this Lease. Lease payments shall be payable annually and shall be due on the 1st day of January in advance. Payments shall be sent to the Division of State Lands, 775 Summer Street NE, Salem, Oregon 97310-1337. STATE shall give LESSEE 30 days advance notice of the due date and amount of the lease payment due.

6. LEASE PAYMENT INCREASES

Lease payment increases shall be made in accordance with the lease provisions of the Oregon Administrative Rules applying to state-owned submerged and submersible lands which are in effect at the time of redetermination. Lease payment increases may be appealed by the LESSEE. LESSEE must file its appeal in writing within 14 days of the notice of increase. The notice of appeal is to be sent to the attention of the Director, Division of State Lands, 775 Summer Street NE, Salem, Oregon 97310-0230, and must include market data or other information to support the request for review. Upon filing of an appeal, the STATE will schedule an informal hearing before the Director or designee. Neither party to a redetermination appeal is entitled to recover attorney's fees.

7. ACCESS TO PROPERTY AND RECORDS

STATE shall have access to the Leased Premises at all reasonable times for the purpose of ensuring compliance with the terms and conditions of this Lease. STATE shall have the right to examine pertinent records of LESSEE for the purpose of ensuring compliance with the Lease and for the purpose of redetermining the lease payment rate.

8. DELIVERY OF PREMISES

Delivery of the Leased Premises will occur upon the date of execution of this Lease. STATE will not provide a survey or pay any costs of a survey to determine boundaries. It is the LESSEE's responsibility to make an accurate determination of the boundaries. The legal description provided by STATE is drawn from an assessor's map and other data deemed to be reliable. If LESSEE elects not to have a survey performed and a discrepancy or boundary overlap later becomes evident, STATE, at its discretion, may provide a corrected description of the Leased Premises.

9. RESERVATIONS

The interest of LESSEE under this Lease shall at all times be subject to STATE's right to grant rights-of-way in and over said property or a portion of the property for other purposes, including, but not limited to, railroads, telegraph and telephone lines, pipelines, irrigation or other water canals and ditches, and to STATE's right to lease all or part of the property for the exploration, discovery, development and production of oil, gas, or minerals of any nature whatsoever, provided the right-of-way or lease does not unreasonably interfere with the purpose of this Lease.

10. CONDITIONS OF THE PROPERTY

LESSEE certifies that it has inspected the Leased Premises and is fully informed as to their condition. LESSEE agrees to accept the Leased Premises as is and with all faults. LESSEE acknowledges that no representations or warranties of any kind have been made by STATE.

11. COMPLIANCE WITH LAW

LESSEE shall comply with all applicable federal, state, and local statutes, ordinances, rules and regulations in its use of the Leased Premises. This Lease does not give LESSEE permission to conduct any use on the Leased Premises which is not in conformance with applicable land use requirements, and it is the LESSEE's responsibility to determine and comply with those and all other requirements.

LESSEE shall use the Leased Premises only in a manner, or for such purposes, that assure fair and nondiscriminatory treatment of all persons without respect to race, creed, color, religion, handicap, disability, age, gender or national origin.

12. TAXES, LIENS, ASSESSMENTS, CHARGES

LESSEE shall pay before they become delinquent all taxes, assessments, penalties, fines, charges, rates or liens of any nature whatsoever that may be levied, assessed, charged, imposed or claimed on or against the Leased Premises or any improvements or fixtures thereon or appurtenances thereto. If LESSEE fails to pay any taxes, assessments, penalties, fines, charges, rates or liens, within ten (10) days after notice that such sums are due, STATE may pay such sums. Any such sums paid by STATE shall be reimbursed on demand with interest at the maximum legal rate pursuant to ORS 82.010 from the date of expenditure by STATE until paid.

13. PREVENTION OF WASTE, DAMAGE AND INJURY

LESSEE shall exercise reasonable diligence in its operation on and from said Leased Premises; shall carry on all operations hereunder in a good and workmanlike manner having due regard for public safety and the prevention of waste and for the restoration and conservation of said Leased Premises for future use, and shall take all reasonable steps to avoid damage to soil, timber, fish and fish habitat, wildlife and wildlife habitat and water quality of both ground water and surface water; shall make all reasonable efforts to minimize interference with existing navigational and recreational activities and scenic values; shall substantially restore the Leased Premises to its original condition and shall do all things reasonably necessary to minimize erosion.

14. EXCLUSIVITY

Subject to the provision of Section 9 (Reservations), the rights and privileges granted under this Lease are exclusive, except that LESSEE shall not unreasonably interfere with the public's right of navigation, commerce, fishing and recreation in the open water areas of the Leased Premises.

15. PUBLIC SAFETY

Subject to the provision of Section 14 (Exclusivity), the LESSEE may restrict entry to any portion of the Leased Premises as may be necessary to protect persons and property from harm arising from or in connection with the LESSEE's activities upon the Leased Premises.

16. ASSIGNMENT OR SUBLEASE

With respect to any assignment, mortgage, or sublease, the following provisions shall apply:

16.1 RESTRICTIONS: Except as provided for in subsection 16.2, LESSEE's interest in the Leased Premises or any part thereof shall not be assigned, mortgaged or subleased, nor shall any right of use of said Leased Premises be conferred on any third person by another means without the prior consent of STATE. Said consent shall not be unreasonably withheld or delayed. This provision shall apply also to all transfers by operation of law. Except as provided in Subsection 16.2, any assignment, or attempted assignment, subletting, or attempted subletting, or grant of right of use, or attempted grant of right of use without such consent, shall be absolutely null and void and shall, at the option of STATE, terminate all rights of the LESSEE under or by virtue of this Lease. STATE may, in its discretion, consent to an assignment or sublease provided the following conditions are satisfied:

16.1.1 A fee of \$125 is prepaid to cover administrative costs, and

16.1.2 LESSEE has satisfied all conditions of the lease precedent to assignment or sublease, and

16.1.3 LESSEE and its assignee have completed a standard assignment form or new lease form as required by STATE, and have assured the STATE that the assignee or sublessee has the capability to perform on the Lease, and

16.1.4 STATE determines that such assignment or sublease is in the best interest of the STATE.

16.2 PERMITTED ASSIGNMENTS: The following assignments, mortgages and security interests, and subleases of the LESSEE's interest in the Leased Premises shall be allowed without further STATE approval:

16.2.1 Subleases and subsubleases of portions of the LESSEE's interest in the Leased Premises, in the ordinary course of LESSEE's business or portions thereof for uses of the Leased Premises approved under this Lease.

16.2.2 Any mortgage(s), trust deed(s) or other encumbrance(s) which LESSEE may cause to attach to LESSEE's interest in the Leased Premises (1) in connection with the acquisition or refinancing(s) of the acquisition of the improvements in, on or about the Leased Premises and (2) in connection with financing and refinancing (a) development, construction, reconstruction, maintenance or repair of improvements on the Leased Premises and (b) operations on or about the Leased Premises. Within ten (10) days of any transfer pursuant to this subsection 16.2.2, LESSEE shall provide STATE the name and business address of any entity obtaining a security interest pursuant to this subsection 16.2.2.

16.2.3 Transfers to any entity or entities which controls, is controlled by, or is under common control with LESSEE.

17. ALTERATIONS AND IMPROVEMENTS

LESSEE shall obtain the written consent of STATE prior to making any alterations to the Leased Premises or improvements upon the Leased Premises.

18. DEFAULT

18.1 DEFAULT, NOTICE AND CURE BY LESSEE: A default by the LESSEE shall occur if any of the following shall occur and if said default shall continue and not be remedied within sixty (60) days after STATE shall have given notice specifying the breach (within ten (10) days for delinquency or failure to pay rent.)

18.1.1 Delinquency or failure to pay rent in the amounts and at the time specified in the Lease.

18.1.2 Failure of LESSEE to comply with any term or condition imposed by the STATE in the Lease.

18.1.3 Failure of LESSEE to use the Leased Premises for the purposes authorized under the terms of the Lease.

18.1.4 LESSEE maintaining a nuisance on the Leased Premises.

18.1.5 Insolvency of LESSEE; an assignment by LESSEE for the benefit of creditors; the filing by LESSEE of a voluntary petition in bankruptcy; an adjudication that LESSEE is bankrupt or the appointment of a receiver of the properties of LESSEE; the filing of any involuntary petition of bankruptcy and the failure of LESSEE to secure a dismissal of the petition within thirty (30) days after filing; attachment of or the levying of execution on the leasehold interest and failure of LESSEE to secure discharge of the attachment or release of the levy of execution within ten (10) days.

18.1.6 Failure by LESSEE to remove any lien or encumbrances placed upon the Leased Premises other than a lien or encumbrance on LESSEE's interest permitted by Section 16 of this Lease.

18.2 MORTGAGEE PROTECTION PROVISION: Whenever the STATE shall deliver any notice or demand to the LESSEE with respect to any breach or default by the LESSEE in its obligations or covenants under this Lease, the STATE shall at the same time forward a copy of such notice or demand to each holder of any mortgage authorized by this Lease at the last address of such holder shown in the records of the STATE. After any default in or breach of the Lease by the LESSEE or its successor in interest, each holder of any mortgage permitted under the Lease shall (insofar as the rights of the STATE are concerned) have the right after the failure of the LESSEE to cure or remedy said default or breach, at its option, to cure or remedy such breach or default (or such breach or default to the extent that it relates to the part of the land covered by its mortgage) within sixty (60) days and to add the cost thereof to the mortgage debt and the lien of its mortgage. The mortgage holder's exercise of its option to cure or remedy any default by LESSEE shall not constitute grounds for termination of this Lease by STATE. In the event the holder of any mortgage which LESSEE has caused to attach to LESSEE's interest in the Leased Premises forecloses on the leasehold estate then STATE shall enter into a new lease with that lienholder on the same terms and conditions as this Lease.

19. LATE PAYMENT PENALTY

If STATE has not received the full amount of the lease payment due within ten (10) calendar days from the due date, STATE may impose a late payment penalty on the LESSEE in the amount not to exceed five percent (5%) of the overdue payment. The late fee penalty may only be charged once on any payment due. Alternatively, at the STATE's option, a late payment penalty may be charged which is the interest due at the maximum legal rate pursuant to ORS 82.010 on the late payment from the date due until paid.

20. TERMINATION

20.1 TERMINATION UPON LESSEE'S DEFAULT: In the event of a default by LESSEE, the Lease may be terminated at the option of STATE by thirty (30) days advance notice in writing to LESSEE. In the event the Lease is terminated by either party, all remedies afforded under this Lease in Section 24 herein shall survive such termination. LESSEE shall have thirty (30) days after date of termination to remove all fixtures and property from the Leased Premises. Failure to remove such items within the thirty (30) day period will constitute abandonment by the LESSEE and, subject to the rights of any secured parties having a security interest in such fixtures and property, the STATE shall take title to the property after the expiration of thirty (30) days, in which event STATE may reenter, take possession of the Leased Premises and remove any persons or property by legal action or by self-help with the use of reasonable force and without liability for damages directly resulting from such reasonable force.

20.2 STATE'S OPTION TO MITIGATE: Following reentry, STATE may relet the Leased Premises and in that connection make any suitable alteration to the Leased Premises or change the character or use of the Premises but STATE shall not be required to relet for any use or purpose (1) which is different from that specified in the Lease or (2) which STATE may reasonably consider injurious to the Premises or (3) to any LESSEE which STATE may reasonably consider objectionable. STATE may relet all or part of the Leased Premises, alone or in conjunction with other properties, for a term longer or shorter than the term of this Lease, upon any reasonable terms and conditions.

20.3 DAMAGES RECOVERABLE UPON TERMINATION: In the event of termination on default, as provided by Section 18 of this Lease, STATE shall be entitled to recover the following amounts as damages:

20.3.1 The loss of reasonable rental value from the date of default until a new lease has been, or with the exercise of reasonable efforts could have been, secured.

20.3.2 The reasonable cost of reentry and reletting, including the reasonable and necessary costs of any clean-up, refurbishing, removal of LESSEE's property and fixtures, or any other necessary expense directly resulting from LESSEE's failure to quit the Leased Premises upon termination and to leave them in the required conditions, including reasonable attorneys fees, court costs, and advertising costs.

20.3.3 Any excess of the value of the rent and all of LESSEE's other obligations under this Lease over the reasonable expected return from the Premises for the period commencing on the earlier of the date of trial or the date the Premises are relet and continuing through the end of the term. The present value of future amounts will be computed using a discount rate equal to the prime loan rate of major Oregon banks in effect on the date of trial.

20.4 TERMINATION UPON MUTUAL CONSENT: This Lease may also be terminated by mutual written consent of LESSEE and STATE.

2L DELIVERY OF PREMISES: SURRENDER

In the event the Lease is terminated, or upon expiration, LESSEE shall have thirty (30) days within which to vacate the Leased Premises and shall surrender the Leased Premises in substantially the original condition as of the date of this Lease. STATE may require LESSEE to restore the Leased Premises to the original condition as of the date of this Lease or STATE may itself restore the Leased Premises and recover its reasonable and necessary restoration costs from LESSEE.

22. FIXTURES AND PERSONAL PROPERTY

All fixtures and personal property placed upon the Leased Premises during the term shall, upon expiration or termination of the Lease, become the property of STATE if not removed by LESSEE within thirty (30) days as provided in Subsection 20.1 and if not subject to the rights of any secured party having a security interest in such fixtures or personal property. LESSEE shall repair any physical damage resulting from such removal. If LESSEE fails to remove such fixtures, this shall constitute an abandonment of the property, and STATE may retain the property and all rights of LESSEE with respect to it shall cease. In the event of such abandonment, STATE may remove such fixtures and personal property and repair any physical damage resulting from such removal and charge the reasonable and necessary costs of removal and repair to LESSEE with interest at the maximum legal rate pursuant to ORS 82.010 from the date of expenditure by STATE.

23. HOLDOVER

If LESSEE does not vacate the Leased Premises at the time required, upon expiration or termination of this Lease, STATE shall have the option to treat LESSEE as a tenant from month to month, subject to all of the provisions of this Lease except the provisions for term. Failure of LESSEE to remove fixtures, equipment and/or other property which LESSEE is required to remove under this Lease, in the manner provided for in Sections 20 and 22, shall constitute a failure to vacate to which this paragraph shall apply if the property not removed will substantially interfere with occupancy of the Leased Premises by another lessee or with occupancy by STATE for any purpose including preparation for a new lessee.

If a month to month tenancy results from a holdover by LESSEE under the above paragraph, the tenancy shall be terminable at the end of any monthly lease payment period on written notice from STATE given not less than ten (10) days prior to the termination date which shall be specified in the notice. LESSEE waives any notice which would otherwise be provided by law with respect to a month to month tenancy.

24. STATE'S RIGHT TO CURE DEFAULTS

If LESSEE fails to perform any obligation under this Lease, STATE shall have the option to do so after thirty (30) days' written notice to LESSEE unless otherwise specified in this Lease. All of STATE's reasonable and necessary expenditures to correct the default shall be reimbursed by LESSEE on demand with interest at the maximum legal rate pursuant to ORS 82.010 from the date of expenditure by STATE until paid.

In the event any violation or breach of the provisions of this lease is causing damage to the Leased Premises or the LESSEE is utilizing the Leased Premises in a manner not permitted by the provisions of this Lease, or in any case damages are occurring to the Leased Premises, STATE may immediately enter upon the Leased Premises and take such action as necessary to cease such damages or use. LESSEE shall be liable to STATE for all reasonable and necessary costs incurred in correcting such violations.

25. RIGHT TO SUE MORE THAN ONCE

STATE may sue periodically to recover damages for the period corresponding to the remainder of the lease term and no action for damages shall bar later action for damages subsequently accruing.

26. REMEDIES CUMULATIVE

The remedies contained in this Lease shall be in addition to and shall not exclude any other remedy available at law or in equity, and exercise by either party of any one or more of such remedies shall not preclude the exercise by it at the same or different times of any other such remedies for the same default or breach by the other party.

27. HAZARDOUS WASTE

LESSEE shall refrain from storing on, or discharging from or onto, the Lease Premises any hazardous wastes or toxic substances as defined in 42 USC § 9601-9657, except as otherwise permitted by law.

28. INDEMNIFICATION

LESSEE agrees to indemnify, defend and hold STATE, its officers, employees, and its agents harmless from any and all damages, claims, actions, costs and expenses arising in whole or in part out of acts or omissions related to this Lease. STATE shall have no liability to LESSEE for any loss or damage caused by third parties or by any condition of the LEASED PREMISES.

29. INSURANCE COVERAGES

29.1 WORKERS' COMPENSATION: The LESSEE, its SUBLESSEES, if any, and all employers providing work, labor or materials under this Lease are subject employers under the Oregon Workers' Compensation Law and shall comply with ORS 656.017, which requires them to provide Oregon workers' compensation coverage that satisfies Oregon law for all their subject workers.

29.2 COMMERCIAL GENERAL LIABILITY: LESSEE shall obtain, at LESSEE's expense, and keep in effect during the term of this Lease, comprehensive or commercial general liability insurance covering bodily injury and property damage. This insurance shall include personal injury coverage, contractual liability coverage for the indemnity provided under this Lease and products/completed operations liability. Combined single limit per occurrence shall not be less than \$1,000,000, or the equivalent. Each annual aggregate limit shall not be less than \$2,000,000, when applicable.

29.3 ADDITIONAL INSURED: The liability insurance coverages, except Professional Liability if included, required for performance of the Lease shall include the State of Oregon, the Division of State Lands and their sections, officers and employees as additional insureds but only with respect to the LESSEE's activities to be performed under this Lease.

29.4 NOTICE OF CANCELLATION OR CHANGE: There shall be no cancellation, material change, potential exhaustion or aggregate limits or intent not to renew insurance coverage(s) without 30 days' written notice from the LESSEE or its insurer(s) to the Division of State Lands. Any failure to comply with the reporting provisions of this insurance, except for the potential exhaustion of aggregate limits, shall not affect the coverage(s) provided to the State of Oregon, its Division of State Lands and their sections, officers and employees.

29.5 CERTIFICATE(S) OF INSURANCE: As evidence of the insurance coverages required by this Lease, the LESSEE shall furnish certificate(s) of insurance to the Division of State Lands prior to its issuance of a Lease. The certificate(s) will specify all of the parties who are additional insured (or loss payees). Insurance coverages required under this Lease shall be obtained from acceptable insurance companies or entities. The LESSEE shall be financially responsible for all deductibles, self-insured retentions and/or self-insurance included hereunder.

30. ATTORNEY FEES

If suit or action is instituted in connection with any controversy arising out of or in connection with this Lease, the prevailing party shall be entitled to recover all costs and disbursements incurred, including such sum as the court may adjudge reasonable as attorney fees at trial and on any appeal of the suit or action.

31. MODIFICATION

This agreement may be changed, altered or amended only by mutual written consent of the parties.

32. MERGER

This Lease constitutes the entire agreement between the parties, and no oral statement, representation or agreement not herein expressed shall be binding upon any party.

33. NON WAIVER

Waiver by either party of strict performance of any term of this Lease on any occasion shall not be construed as a waiver nor prejudice either party's right to require strict performance of the same provision in the future or of any other provision.

34. PARTNERSHIP

STATE is not a partner nor a joint venturer with LESSEE in connection with the business carried on under this Lease and shall have no obligation with respect to LESSEE's debts or other liabilities.

35. SEWAGE DISPOSAL AND MARINE SANITATION DEVICES

If LESSEE operates a commercial marina LESSEE shall comply with the State of Oregon Department of Environmental Quality and State Marine Board Guidelines for Sewage Collection and Disposal for On-Water Boat and Floating Structures.

36. NOTICES

Any notices required or permitted under this Lease shall be in writing and deemed given three (3) days after deposited, postage prepaid, in the United States mail as regular mail and directed to the address provided below or to such other address as may be specified from time to time by either of the parties in writing.

For STATE:

DIVISION OF STATE LANDS
775 Summer Street NE
Salem, OR 97310

For LESSEE:

Timothy Lee, President
Name (Print)

P.O. Box 7016
Current Mailing Address

Issaquah WA 98027-7016
City State Zip

37. EXHIBITS

All exhibits hereto are expressly incorporated herein by reference and made a part hereof

IN WITNESS WHEREOF the parties have executed this Lease.

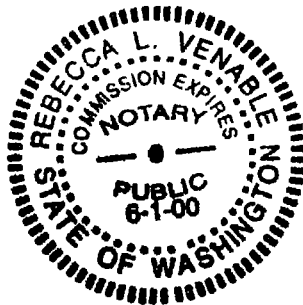
LESSEE

January 8, 1997
Date

Timothy Lee
Signature

STATE OF Washington)
County of King) ss

The foregoing instrument was acknowledged before me this 8th day of January, 1997, by Timothy Lee (officer or agent of corporation), the President (title of officer or agent) of Red Sam Mining Co. Inc. dba Lakeside Industries Corporation, a Washington (state or place of incorporation) corporation, on behalf of the corporation.



Rebecca L. Venable
Signature

My Commission Expires June 1, 2000

STATE OF OREGON, DIVISION OF STATE LANDS

3/7/97
Date

Stephen J. Pearson
Authorized Signature

rf10:324